

**State Employee Benefits Committee  
Friday, March 20, 2015 at 2:00 p.m.  
Tatnall Building, Room 112  
Dover, Delaware**

The State Employee Benefits Committee met on March 20, 2015, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Angela LaManna, AFSCME
Brenda Lakeman, Director, OMB, SBO	Dave Leiter, DHSS
Faith Rentz, Deputy Director, OMB, SBO	Mike Morton, Controller General
Lisa Porter, OMB, SBO	Jennifer Mossman, Highmark DE
Mary Thuresson, OMB, SBO	Mike Norris, Aetna
Howard Atkinson, Segal	Bill Oberle, DSTA
Tim Barchak, NEA	Casey Oravez, OMB, Financial Operations
Michael Begatto, AFSCME	Rich Phillips, DSEA-R
Matt Bittle, DE State News	Karol Powers-Case, DRSPA
Alexis Bryan-Dorsey, OMB	Lori Reddicord, City of Dover
Michael Begatto, AFSCME-Council 81	Rebecca Reichardt, OMB
Lisa Carmean, City of Milford	Kimberly Reinagel-Nietubicz, CGO
Tom Cook, Finance	Sandy Richards, AFSCME-R
David Craik, Pension Office	Paula Roy, Roy Associates
Jessica Eisenbrey, OMB	Aaron Schrader, SBO
Karin Faulhaber, PHRST	Henry Smith, DHSS
Joseph Fulgham, House of Representatives	Pam Smith, DEDO
Monica Gonzalez-Gillespie, OMB	Jeff Taschner, DSEA
Darcell Griffith, Univ of DE	David Taylor, DRSPA
Erin Guerke, Office of the Treasury	Everett Toomey, DRSPA
Eugene Hanks, AFSCME-Council 81	Ashley Tucker, AOC
Marie Hartigan, SBO	Chris Ulrich, Univ of DE
John Hassman, DRSPA	Karen Valentine, AFSCME
Carlton Ingram, Aetna	Jennifer Vaughn, DOI
Barbara Jacob, DSEA-R	Karen Weldin-Stewart, DOI
Andrew Kerber, DOJ	Stuart Wohl, Segal
Geoff Klopp, COAD	Sally Wojcieszyn, DEDO
Francis Lally, AFSCME	Rebecca Zink, Office of the Treasury

**Introductions/Sign In**

Director Visalli called the meeting to order at 2:00 p.m. Anyone who had public comment was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

**Approval of Minutes**

Director Visalli requested a motion to approve the minutes from the March 6, 2015 SEBC meeting. Controller General Morton made the motion and Mr. Tom Cook seconded the motion. Upon unanimous voice vote the minutes were approved.

## **Director's Report – Brenda Lakeman**

Ms. Lakeman provided an update to the Open Enrollment (OE) Employee Consent Campaign with over 3,000 participants enrolled to date and reminded all to consent by the end of March to help reduce the Statewide Benefits Office (SBO) mailings for the OE materials.

## **Financials: February 2015 Fund & Equity Report – Casey Oravez – handout**

A copy of the February 2015 Fund and Equity Report was reviewed and discussed. It was noted that in the revenue section that a \$7.4M Prescription True up Contract Payment and another \$4.3M Medicare Retiree Prescription Program (Med D/EGWP) were received. The year to date balance is negative \$56.1M.

## **FY16 Group Health Program Planning - handout**

Ms. Lakeman reviewed the slide presentation and explained the objectives today are to review the Budget Projections for FY16 through FY15Q2, Health Care Rates with \$26.1M General Fund, the Risk Adjustment Fee for Participating Groups, Dental and Vision Rates followed by the next steps and recommendation. Director Visalli stated that at today's meeting, we will focus on the rate piece only. Insurance Commissioner Stewart commented that she submitted a letter to the committee and would like it entered into the record. Ms. Lakeman continued stating the expenditure projections are estimated to be \$743.0M (includes ACA fees, estimated rebates, adjustments for EGWP subsidies and reinsurance reimbursements, and the cost of covering ACA requirements for preventative care and out-of-pocket limits). Insurance Commissioner Stewart commented the ACA piece is a requirement since our plan is changing; the \$4M for ACA is a must, mandated by federal law. The FY2016 revenue projections based on current FY2015 rates is \$626.7M. This leaves a total deficit prior to General Fund Allocation of \$116.3M. The additional revenue based on FY2016 General Fund allocation of \$26.1M would bring in \$56.2M leaving a remaining deficit for FY16 of \$60.1M.

Moving forward to the health care rates, it was noted that these are the same rates as shown in the last meeting assuming the \$26.1M General Fund increase. The lowest increase is for the First State Basic Plan for Employee only \$2.14 and then the highest option is Comprehensive PPO Family Plan with an increase at \$20.94 per month. The Medicaid rates would not change until January 2016. Ms. Lakeman reminded the Committee that employee rates are deducted on a pre-tax basis. We are proposing a 15% risk adjustment fee charge to all Participating Groups. The groups have been paying a 5% fee since 2003 and recommend an adjustment to this fee. Dental and vision rates were illustrated for FY16. FY16 is the last year of the contracts for dental and vision. We do not vote on these as they are fully insured rates and part of the contract. EyeMed is not changing rates. Dental rates increase slightly. The next steps after today's meeting is to move forward with 2015 Open Enrollment (OE) for employees and retirees scheduled for May 11 through May 28, 2015 and to review the FY16 DelaWELL proposal to start July 1, 2015. The Committee's recommendation is to approve FY16 rates as shown on slide 5 and approve 15% risk adjustment fee charge for all Participating Groups. Director Visalli stated this vote will take place after Public Comments and asked if anyone had questions. This was followed by comments from the committee.

Ms. Ashley Tucker, AOC, shared some remarks presented on behalf of Patricia Griffin, Designee to Chief Justice Leo Strine. We appreciate the immediate stop gap measure implemented to keep the health fund solvent. The Judiciary believes it is important to allow enough time to gather the necessary information for careful consideration and robust discussion and including a variety or range of viewpoints concerning the potential direct and policy consequences for all solutions. The Judiciary asks that the following principles be applied: every effort should be made to analyze health care costs, state employee compensation has not kept pace with the rate of inflation and rising health care costs in recent years. We believe that given the fiscal situation of many state employees, increases in the State Share of health care funding for employees will be important to ease the added burden to employees. We ask that the committee to explore the use of sliding scale for lower paid employees. Rebuilding the health care fund reserve should be a key consideration.

## Public Comment

Mr. Everett Toomey, DRSPA, stated his thoughts were very well captured with Ms. Tucker's comments. We agree 100% with your data. What we want you to do is be aware this translates especially to our older retirees with some very trying circumstances. These people are living on very little and have been retired for 20 some years. We really want you to be sensitive to the fact that this is not just about data or balance sheets. This is about the faces of our people and we can't sit back and let it happen quietly.

Mr. Rich Phillips, DSEA-R, commented that he was glad to hear by way of the newspapers of the delay in proposed increases. There is great need to fill the escalating increase of medical costs. A proposed reasonable increase in pay or pension would certainly help to offset the proposed increase in medical benefit costs. Please take the extra time for further discussion on medical increases and meaningful examination of the budget and income sources.

Mr. Dave Leiter, DHSS, greeted the committee and expressed his appreciation to Ms. Tucker's comments. Mr. Leiter thanked the committee for their efforts. All state employees are glad to have these benefits and asked the committee to look to keep all the rates for the lower paid grade employees and retirees as is. Pay grades 1 through 7 cannot afford the same rate and co-pay as the higher pay grades. Please help these employees.

Ms. Karol Powers-Case, DSRPA, commented she is one of the 20 year retirees. She and her husband are in their eighties and see at least ten doctors every four to six months. . This is real for the older people.

## Other Business

Commissioner Stewart noted she is aware that her letter will be entered in the record and added how she reflected a lot of what has already been said in her letter about the disparities and salaries. She hopes everyone reads it when posted.

Mr. Tom Cook mentioned there was an interesting article in the paper today with the City of Wilmington and the Mayor announcing his budget with no tax or water increase. The water fund has problems and by not doing anything about it this year or next year due to the election will create double digit increases the year after. Mr. Cook made the point that these decisions are very tough to make when you are sitting on a surplus. The Committee needs to look to the future and make the tough decisions when things are better than they are today. Since being the Secretary of Finance, the General Fund Budget has been reduced and there are less employees now serving more citizens. He looks forward to working with everyone in the next few months to put together a plan that minimizes the pain with an acceptable solution.

Director Visalli asked for a motion to adopt the two recommendations in the presentation, one being the rate increase and the 15% risk adjustment fee for Participating Groups. Ms. Tucker stated as for the 15% risk adjustment fee for Participating Groups, she abstains until further information is available on how that number was achieved.

Mr. Cook made the motion to item number one as presented on slide five to approve FY16 rates with the \$26.1M General Fund increase. Mr. Smith seconded the motion. Ms. Ashley Tucker did not vote and is so noted. The motion passed with a majority vote of approval.

Director Visalli asked for a motion on the second item to approve the 15% risk adjustment fee charge for all Participating Groups. Mr. Cook made the motion and Mr. Smith seconded the motion. Commissioner Stewart and Ms. Ashley Tucker did not vote and is so noted. The motion carried with a majority vote.

Director Visalli concluded by stating that remaining deficit is shown on slide three. As we move forward in the coming meetings, we will continue to have discussion on that item. The premium piece was passed today. Now we must work on closing the gap and continuing to monitor the fund balance. We are going through the reserve now and expect at

this rate to exhaust the reserve by the end of the fiscal year, therefore, the fund will not be solvent in July. Along with legislators, we are gathering ideas so we can put a plan in place to secure the fund and the health benefits for everyone.

Director Visalli asked for a motion to adjourn the meeting. Mr. Cook made the motion and Insurance Commissioner Stewart seconded. With unanimous voice approval the motion carried. Meeting adjourned 2:34p.m.

Respectfully submitted,

Lisa Porter  
Executive Secretary  
Statewide Benefits Office, OMB